

# **Wayne County Regional Educational Service Agency**

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**Financial Report  
with Supplemental Information  
June 30, 2006**

# WAYNE COUTNY REGIONAL EDUCATIONAL SERVICE AGENCY

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## Independent Auditor's Report

To the Board of Education  
Wayne County Regional Educational  
Service Agency

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County Regional Educational Service Agency as of and for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wayne County Regional Educational Service Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County Regional Educational Service Agency as of June 30, 2006 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting standards generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



A worldwide association of independent accounting firms

To the Board of Education  
Wayne County Regional Educational  
Service Agency

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of Wayne County Regional Educational Service Agency's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated October 4, 2006 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

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October 6, 2006

# **Wayne County Regional Educational Service Agency**

## **Management's Discussion and Analysis**

This section of the Wayne County Regional Educational Service Agency's (the "Agency") annual financial report presents our discussion and analysis of the Agency's financial performance during the years ended June 30, 2006 and 2005. Please read it in conjunction with the Agency's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Wayne County Regional Educational Service Agency financially as a whole. The agency-wide financial statements provide information about the activities of the whole Agency, presenting both an aggregate view of the Agency's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Agency's operations in more detail than the agency-wide financial statements by providing information about the Agency's most significant funds – the General Fund, Act 18 Fund, Funded Projects Fund, and Medicaid Fund – with all other funds presented in one column as non-major funds. The reader of this report should understand that the Act 18 Fund, the Funded Projects Fund, and the Medicaid Fund function primarily as flow-through funds, whereby funds are collected and then distributed to local public school districts, other organizations, and agencies. The remaining statement, the statement of fiduciary assets and liabilities presents financial information about activities for which the Agency acts solely as an agent for the benefit of constituent groups.

The format of the financial report is as follows:

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)

### **Basic Financial Statements**

Agency-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)  
Budgetary Information for Major Funds

Other Supplemental information

# **Wayne County Regional Educational Service Agency**

## **Management's Discussion and Analysis**

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### ***Reporting the Agency as a Whole – Agency-wide Financial Statements***

One of the most important questions asked about the Agency is, “As a whole, what is the Agency’s financial condition as a result of the year’s activities?” The statement of net assets and the statement of activities, which appear first in the Agency’s financial statements, report information on the Agency as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Agency’s net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the Agency’s financial health or financial position. Over time, increases or decreases in the Agency’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Agency’s operating results. However, the Agency’s goal is to provide services to local public school districts, teachers, and students, not to generate profits or increase net assets as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the services provided and the success in meeting the needs of constituent school districts, to assess the overall health of the Agency.

The statement of net assets and the statement of activities report the governmental activities for the Agency, which encompass all of the Agency’s services. State aid, state and federal grants, and property taxes finance most of these activities.

### ***Reporting the Agency’s Most Significant Funds – Fund Financial Statements***

The Agency’s fund financial statements provide detailed information about the most significant funds – not the Agency as a whole. Some funds are required to be established by state law and by bond covenants. However, the Agency establishes other funds to help it control and manage money for particular

# **Wayne County Regional Educational Service Agency**

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## **Management's Discussion and Analysis**

purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as voter-approved special education funding and state and federal grants). The governmental funds of the Agency use the following accounting approach:

Governmental funds – All of the Agency's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Agency and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

### ***The Agency as Trustee – Reporting the Agency's Fiduciary Responsibilities***

The Agency is the trustee, or fiduciary, for constituent organizations. All of the Agency's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the Agency's other financial statements because the Agency cannot use these assets to finance its operations. The Agency is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **The Agency as a Whole**

The statement of net assets provides the perspective of the Agency as a whole. Table 1 provides a summary of the Agency's net assets as June 30, 2006 and 2005:



# Wayne County Regional Educational Service Agency

## Management's Discussion and Analysis

TABLE 1

	Governmental Activities	
	2006	2005
	(in millions)	
<b>Assets</b>		
Current and Other Assets	\$ 111.5	\$ 87.0
Capital Assets	<u>5.1</u>	<u>5.3</u>
Total Assets	116.6	92.3
<b>Liabilities</b>		
Current Liabilities	27.5	13.0
Long-Term Liabilities	<u>2.4</u>	<u>3.0</u>
Total Liabilities	<u>29.9</u>	<u>16.0</u>
<b>Net Assets</b>		
Investment in Capital Assets – Net of Related Debt	2.5	2.2
Restricted	64.5	53.2
Unrestricted	<u>19.7</u>	<u>20.9</u>
Total Net Assets	<u>\$ 86.7</u>	<u>\$ 76.3</u>

The Agency's net assets were \$86.7 million at June 30, 2006. Capital assets totaling \$2.5 million, net of related debt, compares the original cost, less depreciation of the Agency's capital assets, to long-term debt used to finance the acquisition of those assets. The debt will be repaid from state aid designated for that purpose as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Agency's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$19.7 million) was unrestricted.

The \$19.7 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. It means that if we had to pay off all of our bills today, including all of our noncapital liabilities (compensated absences, for example), we would have \$19.7 million

# Wayne County Regional Educational Service Agency

## Management's Discussion and Analysis

remaining. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of operations for the Agency as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for the fiscal years ended June 30, 2006 and 2005.

TABLE 2

	Governmental Activities	
	2006	2005
	(in millions)	
<b>Revenue</b>		
Program Revenue:		
Charged for Services	4.5	4.4
Operating Grants	122.2	111.6
General Revenue:		
Property Taxes	163.2	154.7
State Aid	10.7	12.1
Other	<u>4.4</u>	<u>2.7</u>
Total Revenue	305.0	285.5
<b>Functions/Program Expenses</b>		
Instruction	1.0	0.9
Support Services	27.1	26.8
Interest on Long-Term Debt	0.3	0.1
Interdistrict Transfers	265.5	251.5
Community Service	0.2	-
Depreciation (unallocated)	<u>0.5</u>	<u>0.4</u>
Total Functions/Program Expenses	<u>294.6</u>	<u>279.7</u>
<b>Increase in Net Assets</b>	<u>\$ 10.4</u>	<u>\$ 5.8</u>

As reported in the statement of activities, the cost of all of our governmental activities was \$294.6 million for the year ended June 30, 2006. Certain activities were partially funded from those who benefited from the programs (\$4.5 million) or by other governments and organizations that subsidized

# **Wayne County Regional Educational Service Agency**

## **Management's Discussion and Analysis**

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certain programs with grants and contributions (\$122.2 million). We paid for the remaining "public benefit" portion of our governmental activities with \$163.2 million in taxes, \$10.7 million in state aid, and with \$4.4 million of our other revenues, i.e., interest and general entitlements.

The Agency experienced an increase in net assets of \$10.4 million for the year ended June 30, 2006. A key reason for the change in net assets was the surplus generated in the Act 18 Fund, which will be used to fund future special education programming for severely disabled students.

As discussed above, the net cost shows the financial burden that was placed on the State and the Agency's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of Agency operating revenue sources, the Board of Education and administration must annually evaluate the needs of the Agency and balance those needs with this revenue.

### **The Agency's Funds**

As we noted earlier, the Agency uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Agency is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Agency's overall financial health.

As the Agency completed this year, the governmental funds reported a combined fund balance of \$73.6 million, which is a net increase of \$6.2 million from last year. The primary reasons for the increase are as follows:

- In the General Fund, our principal operating fund, the fund balance increased by \$0.9 million. The increase resulted primarily from growth in property tax revenue, positive experience rating with regard to health insurance premiums and targeted funding which absorbed some costs related to work with high priority schools. The primary revenue source in the General Fund is state aid. There was no increase in unrestricted state aid in the year ended June 30, 2006.

# **Wayne County Regional Educational Service Agency**

## **Management's Discussion and Analysis**

- The fund balance in the Act 18 Fund increased by \$11.3 million due to the generated surplus planned to fund future programming.

### **Budgetary Highlights**

Over the course of the year, the Agency revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Agency's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

There were significant revisions made to the 2005–2006 General Fund original expenditure budget. The original budget anticipated reducing fund balance by approximately \$1.4 million. The actual results of operations increased fund balance by almost \$.9 million. This change resulted from an intentional process of the organization to overcome its structural operational deficit. As a result, certain employee positions were not replaced when vacancies occurred, alternative funding was used to provide services and spending for supplies, capital outlay and certain services were minimized. In addition, the General Fund was able to reduce support to the Cooperative Fund as it increased the number of districts participating in the cooperative and reduced operational costs.

Variances in the General Fund between the final budget and actual amounts resulted from expenditure budgets that remained unspent at the end of the year because of efficiencies that were realized, unfilled positions, and deferred purchases of services and items.

Variances in the Act 18 Fund between the final budgeted and actual revenue amounts resulted from conservative budgeting of current and delinquent property tax revenue. Variances in the Act 18 expenditures result from the accrual of final costs from center program operating districts that were not reported until after the final budget amendment.

# Wayne County Regional Educational Service Agency

## Management's Discussion and Analysis

Variances in the Funded Project Fund between the final budgeted and actual revenue and expenditure amounts resulted from the Board of Education's philosophy regarding budgeting in this Fund. Because many of the projects that make up this fund cover multiple years and operating periods that are not in sync with the Agency's operating cycle, the board relies on the individual project budget to provide management information and control. The original budget was adopted in order to recognize the price and magnitude of the funded projects within overall operations of the Agency but is not subsequently amended.

Variances in the Medicaid Fund between the final budgeted and actual revenue resulted from an underestimation of revenue generated by the activity of local school districts. The revenue in this fund is based entirely on the provision of billable services to Medicaid eligible students. This revenue, once processed through the Medicaid system, is returned to the district that generated it.

### Capital Assets and Debt Administration

#### *Capital Assets*

At June 30, 2006, the Agency had a net \$5.1 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a \$0.2 million decrease (including additions, deductions, and depreciation) from last year.

	<u>2006</u>	<u>2005</u>
Land	\$ 115,000	\$ 115,000
Land Improvements	70,000	70,000
Buildings and Building Improvements	11,333,100	11,290,400
Vehicles	55,901	55,901
Furniture and Equipment	<u>5,179,808</u>	<u>4,911,932</u>
Total Capital Assets	16,753,809	16,443,233
Less Accumulated Depreciation	<u>11,670,832</u>	<u>11,135,745</u>
Net Capital Assets	<u>\$ 5,082,977</u>	<u>\$ 5,307,488</u>

# **Wayne County Regional Educational Service Agency**

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## **Management's Discussion and Analysis**

This year's additions of \$318,294 included equipment and building renovations. No new debt was issued for these additions.

### ***Debt***

The Agency had \$2.4 million in bonds outstanding at June 30, 2006 a decrease of \$.2 million from June 30, 2005 related to the Durant settlement.

Bond payments are due annually and extend through the year 2013. The resources used to extinguish this debt are derived from restricted state aid allocated specifically for that purpose.

Other obligations include accrued vacation pay, sick leave, an early retirement incentive and amounts due to other governmental units. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the Agency's June 30, 2007 fiscal budget. One of the most important factors affecting the operating budget is the economic condition of the State of Michigan. The June 30, 2007 budget was adopted in June 2006, based on an estimate of property tax revenues, state aid, and grant funding. State law requires the Agency to amend the budget if actual Agency resources are not sufficient to fund original appropriations. Since the Agency's revenue is partially dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriations to public school districts, intermediate school districts, and regional educational service agencies. In the recent past, the State of Michigan has issued several executive orders prorating and reducing, mid-year, the State's funding commitment to the Agency. This possibility continues to exist for fiscal year 2006-2007. The extent to which possible funding prorating by the State of Michigan and how it affects the Agency's budget has yet to be determined.

# **Wayne County Regional Educational Service Agency**

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## **Management's Discussion and Analysis**

### Contacting the Agency's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the Agency's finances to show the Agency's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Business Office.

# Wayne County Regional Educational Service Agency

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## Statement of Net Assets June 30, 2006

### Assets:

Cash and investments (Note 3)	\$	19,335,822
Restricted assets (Note 1)		56,241,399
Receivables - Net:		-
Taxes		18,656,262
Accounts receivable		639,897
Due from other government units		15,927,297
Inventories		105,399
Prepays		626,030
Capital assets - Net (Note 5)		<u>5,082,977</u>
Total Assets		116,615,083

### Liabilities:

Accounts payable		24,003,165
Accrued payroll and other liabilities		529,284
Deferred revenue (Note 4)		2,093,328
Long-term liabilities: (Note 7)		
Bonds payable, due within one year		210,066
Compensated absences, due within one year		9,029
Due to other governmental units, due within one year		365,175
Early retirement incentive, due within one year		288,283
Bonds payable, due in more than one year		2,236,569
Compensated absences, due in more than one year		171,560
Early retirement incentive, due in more than one year		<u>38,238</u>
Total liabilities		29,944,697

### Net Assets:

Investment in capital assets - net of related debt		2,519,882
Restricted for special education		64,496,024
Unrestricted		<u>19,654,480</u>
Total net assets	\$	<u><u>86,670,386</u></u>

The Notes to Financial Statements are an  
Integral Part of this Statement.



# Wayne County Regional Educational Service Agency

## Statement of Activities Year Ended June 30, 2006

	Program Revenues			Governmental Activities
	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets	
Expenses				
<b>Functions/Programs:</b>				
Primary government - Governmental activities:				
Instruction	\$ 995,499	\$ -	\$ 995,499	\$ -
Support services	27,424,176	4,523,339	20,709,436	(2,191,401)
Community Services	147,572	-	147,572	-
Interdistrict payments	265,493,028	-	100,363,589	(165,129,439)
Depreciation (unallocated)	<u>542,805</u>	<u>-</u>	<u>-</u>	<u>(542,805)</u>
Total Primary government-Governmental activities	<u>\$ 294,603,080</u>	<u>\$ 4,523,339</u>	<u>\$ 122,216,096</u>	\$ (167,863,645)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				4,554,054
Property taxes, levied for special education				158,629,439
State aid not restricted to specific purposes				10,682,953
Interest and investment earnings				3,542,271
Other				<u>808,397</u>
Total general revenues				178,217,114
Change in Net Assets				10,353,469
Net Assets - Beginning of year				<u>76,316,917</u>
Net Assets - End of year				<u>\$ 86,670,386</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Wayne County Regional Educational Service Agency

	General Fund	Act 18 Fund	Funded Projects Fund	Medicaid Fund
<b>Assets</b>				
Cash and investments (Note 3)	\$ 13,080,050	\$ -	\$ -	\$ 6,255,692
Restricted assets (Note 1)	-	56,241,399	-	-
Receivables - Net:				
Taxes	519,688	18,136,574	-	-
Accounts receivable	241,675	232,562	138,006	26,169
Due from other funds (Note 6)	1,631,503	239,585	1,611,592	69,480
Due from other governmental units	1,907,883	5,410,418	5,679,377	2,519,368
Inventories	-	-	-	-
Prepays	626,030	-	-	-
Total assets	<u>18,006,829</u>	<u>80,260,538</u>	<u>7,428,975</u>	<u>8,870,709</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	197,507	9,305,558	5,325,413	8,870,709
Accrued payroll and other liabilities	338,126	-	10,234	-
Due to other funds (Note 6)	1,903,310	1,500,077	-	-
Deferred revenue (Note 4)	505,085	4,958,879	2,093,328	-
Total liabilities	2,944,028	15,764,514	7,428,975	8,870,709
<b>Fund Balances</b>				
Reserved:				
Inventory and prepaids	626,030	-	-	-
Encumbrances	217,752	-	440,858	143,000
Designated for Special Education Center Programs	-	64,496,024	-	-
Unreserved - Undesignated	14,219,019	-	(440,858)	(143,000)
Total fund balances	<u>15,062,801</u>	<u>64,496,024</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 18,006,829</u>	<u>\$ 80,260,538</u>	<u>\$ 7,428,975</u>	<u>\$ 8,870,709</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.

**Governmental Funds  
Balance Sheet  
June 30, 2006**

Other Non-major Governmental Funds	2006 Total	(Memorandum Only) 2005 Total
\$ 80	\$ 19,335,822	\$ 17,455,644
-	56,241,399	44,584,303
-	18,656,262	17,973,648
1,485	639,897	3,528,353
201,717	3,753,877	3,723,591
410,251	15,927,297	2,868,237
105,399	105,399	89,215
-	626,030	468,348
<b>718,932</b>	<b>115,285,983</b>	<b>90,691,339</b>
283,457	23,982,644	8,805,947
64,464	412,824	407,028
371,011	3,774,398	3,733,851
-	7,557,292	10,337,608
718,932	35,727,158	23,284,434
105,399	731,429	557,563
92,577	894,187	20,615,261
-	64,496,024	53,202,196
(197,976)	13,437,185	(6,968,115)
-	79,558,825	67,406,905
<b>\$ 718,932</b>	<b>\$ 115,285,983</b>	<b>\$ 90,691,339</b>

# Wayne County Regional Educational Service Agency

## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets Year Ended June 30, 2006

**Fund Balance - Total Governmental Funds** \$ 79,558,825

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and are not reported in  
the funds:

Capital assets	\$ 16,753,809	
Accumulated depreciation	<u>(11,670,832)</u>	
Total		5,082,977

Other long-term assets not available to pay current  
period expenditures therefore deferred in the  
funds 5,463,964

Long-term liabilities are not due and payable in the  
current period and are not reported in the funds:

Bonds payable	(2,446,635)
Due to other governmental units	(365,175)
Compensated absences	(180,589)
Early retirement incentive	(326,521)

Accrued interest payable is not included as a liability in  
governmental activities (116,460)

**Net Assets of Governmental Activities** **\$ 86,670,386**

# Wayne County Regional Educational Service Agency

	General Fund	Act 18 Fund	Funded Projects Fund
<b>Revenue</b>			
Local sources	\$ 5,691,454	\$ 164,432,099	\$ 147,908
State sources	10,694,953	25,643,735	1,295,982
Federal sources	-	-	83,286,958
Interdistrict sources	573,464	-	2,603,306
Total revenue	16,959,871	190,075,834	87,334,154
<b>Expenditures</b>			
Current:			
Instruction	-	-	995,498
Support services	13,750,732	-	5,435,162
Community services	-	-	147,572
Capital outlay	358,311	-	36,972
Interdistrict payments	109,066	177,869,227	80,553,477
Debt Service:			
Principal	-	-	-
Interest and other	-	-	-
Total expenditures	14,218,109	177,869,227	87,168,681
<b>Excess of Revenue Over (Under)</b>			
<b>Expenditures</b>	2,741,762	12,206,607	165,473
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	340,711	658,702	17,306
Operating transfers out	(2,224,381)	(1,571,481)	(182,779)
Total other financing sources (uses)	(1,883,670)	(912,779)	(165,473)
<b>Net Change in Fund Balances</b>	858,092	11,293,828	-
<b>Fund Balances - Beginning of year</b>	14,204,709	53,202,196	-
<b>Fund Balances - End of year</b>	<b>\$ 15,062,801</b>	<b>\$ 64,496,024</b>	<b>\$ -</b>

The Notes to Financial Statements are an  
Integral Part of this Statement

**Governmental Funds  
Statement of Revenue, Expenditures , and  
Changes in Fund Balances  
Year Ended June 30, 2006**

Medicaid Fund	Other Non-major Governmental Funds	2006 Total	(Memorandum Only) 2005 Total
\$ 195,733	\$ 102,730	\$ 170,569,924	\$ 153,387,915
-	1,753,623	39,388,293	37,915,411
7,047,028	-	90,333,986	82,701,609
-	4,523,339	7,700,109	7,405,311
7,242,761	6,379,692	307,992,312	281,410,246
-	-	995,498	917,138
577,940	8,388,689	28,152,523	27,218,699
-	-	147,572	311,707
14,466	351,046	760,795	1,154,641
5,989,494	971,764	265,493,028	251,495,450
-	200,565	200,565	-
-	90,411	90,411	-
6,581,900	10,002,475	295,840,392	281,097,635
660,861	(3,622,783)	12,151,920	312,611
-	3,858,898	4,875,617	5,377,218
(660,861)	(236,115)	(4,875,617)	(5,377,218)
(660,861)	3,622,783	-	-
-	-	12,151,920	312,611
-	-	67,406,905	67,094,294
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,558,825</u>	<u>\$ 67,406,905</u>

## Wayne County Regional Educational Service Agency

### Governmental Funds Reconciliation of the Statement of Revenue, Expenitures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2006

#### Net Change in Fund Balances - Total Governmental Funds

Amounts reported for governmental activities in the statement	\$	12,151,920
of activities are different because:		
Governmental funds report capital outlays as expenditures;		
in the statement of activities, these costs are allocated		
over their estimated useful lives as depreciation:		
Depreciation expense	\$	(542,805)
Capitalized capital outlay		<u>318,294</u>
Total		(224,511)
Revenue reported in the statement of activities that does not		
provide current financial resources and is not reported as		
revenue in the governmental funds		(3,035,763)
Accrued interest is recorded in the statement of activites		
when incurred; it is not reported in governmental funds		
until paid		297,165
Early retirement incentives are recorded in the statement of		
activites when incurred; it is not reported in governmental		
funds until paid		(326,521)
Decreases in compensated absences, bonds payable and in amounts		
due to other governmental units are reported as		
expenditures when financial resources are used in the		
governmental funds		<u>1,491,179</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>10,353,469</u></b>

# Wayne County Regional Educational Service Agency

## Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2006

	<u>Agency Fund</u>
<b>Assets - Due from other funds</b>	<b>\$ <u>20,521</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 934
Due to internal groups	<u>19,587</u>
 Total liabilities	 <b>\$ <u>20,521</u></b>



# **Wayne County Regional Educational Service Agency**

## **Notes to Financial Statements June 30, 2006**

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Wayne County Regional Educational Service Agency (the "Agency") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Agency:

#### **Reporting Entity**

The Agency is governed by an elected five-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Agency's reporting entity, and which organizations are legally separate, component units of the Agency. Based on the application of the criteria, the Agency does not contain any component units.

#### **Agency-wide and Fund Financial Statements**

The agency-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Agency's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital

# **Wayne County Regional Educational Service Agency**

## **Notes to Financial Statements June 30, 2006**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Agency-wide Financial Statements** – The agency-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

**Fund-based Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected

# **Wayne County Regional Educational Service Agency**

## **Notes to Financial Statements June 30, 2006**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and early retirement incentives are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The Agency reports the following major governmental funds:

**General Fund** – The General Fund is the Agency's primary operating fund. It accounts for all financial resources of the Agency, except those required to be accounted for in another fund.

**Funded Projects Special Revenue Fund** – The Funded Projects Special Revenue Fund is used to record all transactions associated with federal and state grants.

**Act 18 Special Revenue Fund** – The Act 18 Special Revenue Fund is used to account for all financial resources relating to the operation of special education center programs in Wayne County. Any operating surplus generated by these activities is retained by the fund.

**Medicaid Fund Special Revenue Fund** – The Medicaid Fund Special Revenue Fund is used to account for specific resources relating to the operation of the Agency's Medicaid Outreach and Medicaid Fee for Services programs.

Additionally, the Agency reports the following fund types:

**Special Services Special Revenue Fund** – The Special Services Special Revenue Fund provides consultant and staff development support for constituent districts to foster free and appropriate special education services for the eligible handicapped population of Wayne County. Any

# **Wayne County Regional Educational Service Agency**

## **Notes to Financial Statements June 30, 2006**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

operating deficit generated by these activities is the responsibility of the General Fund.

**Cooperative Education Special Revenue Fund** – The Cooperative Education Special Revenue Fund is used to account for all financial resources derived from providing services to local constituent districts for computer services, production services, and resource services. Any operating deficit generated by these activities is the responsibility of the General Fund.

**Debt Service Fund** – The Debt Service Fund is used to record state source revenue and the payment of interest, principal and other expenditures on long-term debt related to the Durant Non-Plantiff settlement.

#### **Assets, Liabilities, and Net Assets or Equity**

**Cash and Investments** – Cash and investments include cash on hand, demand deposits, certificates of deposit, and pooled investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool.

**Receivables and Payables** – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The Agency considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year for approximately 50 percent of the taxes that are due on September 14 and December 1 for the remainder of the property taxes that are due on February 14. The final collection date is February 28, after which they are added to the county tax rolls.

# **Wayne County Regional Educational Service Agency**

## **Notes to Financial Statements June 30, 2006**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Inventories and Prepaid Costs** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Restricted Assets** – The unspent cash and related interest of the Act 18 Fund are designated to fund the future operations of special education center programs in Wayne County. These amounts have been classified as restricted assets and total \$56,241,399 at June 30, 2006.

**Capital Assets** – Capital assets, which include land, buildings, vehicles, and equipment, are reported in the applicable governmental column in the agency-wide financial statements. Capital assets are defined by the Agency as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Agency does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and Additions	20–50 Years
Buses and Other Vehicles	5–10 Years
Furniture and Other Equipment	5–10 Years

**Compensated Absences and Early Retirement Incentive** – The liabilities for compensated absences and early retirement incentives are reported in the agency-wide statements includes anticipated termination benefits to be paid to employee groups. A liability for these amounts is reported in governmental funds as it comes due for payment. The

# **Wayne County Regional Educational Service Agency**

## **Notes to Financial Statements June 30, 2006**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

liability for compensated absences has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for early retirement incentives is based on the salary and longevity of those employees who elected to participate in the plan by May 26, 2006.

**Long-term Obligations** – In the agency-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**Fund Balance** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data** – Comparative total data for the prior year have been presented in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund, Special Revenue Funds and Debt Service Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Agency to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits agencies to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Agency decreased budgeted salaries

# Wayne County Regional Educational Service Agency

## Notes to Financial Statements June 30, 2006

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

and purchased services in the General Fund to account for positions left vacant through attrition and program costs absorbed by alternative funding.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds –** During the year, the Agency incurred expenditures in the Act 18, Funded Projects and Medicaid Special Revenue Funds, which were in excess of the amount budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>
Act 18 Fund – Interdistrict payments	\$171,093,600	\$177,869,227
Funded Projects Fund		
– Salaries	1,368,100	1,566,915
– Employee benefits	489,200	516,776
– Supplies and materials	615,500	944,988
– Interdistrict payments	74,503,400	80,553,477
Medicaid Fund – Interdistrict payments	4,744,000	5,989,494
– Transfers out	527,000	660,861

In the Act 18 fund, the budget did not include approximately \$6.8 million in local district center program operating costs because the final cost reports submitted by the districts were received and verified after the final budget amendment.

In the Medicaid Fund, payments to districts (Interdistrict payments) and Act 18 special education center programs (Transfers out) for the Fee for Service program are based on actual practitioner contact with

# **Wayne County Regional Educational Service Agency**

## **Notes to Financial Statements June 30, 2006**

### **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

Medicaid eligible special education students. The revenue to the program as well as payments to districts is directly proportional to services provided and fluctuate from period to period. The budget that was adopted was based on previous year's activity and projected growth in the Medicaid eligible population and is not amended during the year.

Additionally, variances in the Funded Project Fund between the final budgeted and actual revenue and expenditure amounts resulted from the Board of Education's philosophy regarding budgeting in this Fund. Because many of the projects that make up this fund cover multiple years and operating periods that are not in sync with the Agency's operating cycle, the board relies on the individual project budget to provide management information and control. The original budget was adopted in order to recognize the price and magnitude of the funded projects within overall operations of the Agency but is not subsequently amended.

### **Note 3 - Deposits and Investments**

State statutes and the Agency's investment policy authorize the Agency to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Agency is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Agency's deposits are in accordance with statutory authority.

The Agency has designated three banks for the deposit of its funds.

The Agency's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency's investment policy requires that financial



# **Wayne County Regional Educational Service Agency**

## **Notes to Financial Statements June 30, 2006**

### **Note 3 – Deposits and Investments (Continued)**

institutions be evaluated and only those with an acceptable risk level are used for the Agency's deposits for custodial credit risk. At year end, the Agency's deposit balance of \$7,758,775 had \$7,558,775 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Agency believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Agency evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk of Investments** – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Agency will do business using the criteria established in the investment policy. The Agency does not hold investments with custodial credit risk.

**Interest Rate Risk** – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Agency's investment policy does restrict investment maturities to 12 months for US Government securities and agencies, Certificates of deposit, and repurchase agreements. The policy further restricts Investment maturities for federal instrumentalities to 397 days, commercial paper to 270 days and banker's acceptances to 180 days. The Agency's policy minimizes interest rate risk by requiring the investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Agency's cash requirements.

# Wayne County Regional Educational Service Agency

## Notes to Financial Statements June 30, 2006

### Note 3 – Deposits and Investments (Continued)

Credit Risk – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Agency's investment policy further limits its investment choices to the top rating. At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Organization</u>
Bank Investment Pool	\$26,903,493	Various	Aaa	Moody's
Michigan Liquid Asset Fund	<u>43,455,903</u>	Various	AAAM, AI/PI	S&P
Total Investments	<u>\$70,359,396</u>			

**Concentration of Credit Risk** – The Agency's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Foreign Currency Risk** – Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. State law and the Agency's policy prohibit investment in foreign currency.

### Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

# Wayne County Regional Educational Service Agency

## Notes to Financial Statements June 30, 2006

### Note 4 - Deferred Revenue (Continued)

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes	\$ 5,100,969	\$ -
Grants and Categorical Aid Payment Received		
Prior to Meeting All Requirements	-	2,093,328
Other	<u>362,995</u>	<u>-</u>
Total	\$5,463,964	\$2,093,328

### Note 5 - Capital Assets

Capital asset activity of the Agency's governmental activities was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2006</u>
Assets Not being Depreciated:				
Land	\$ 115,000	\$ -	\$ -	\$ 115,000
Capital Assets being Depreciated:				
Land Improvements	70,000	-	-	70,000
Buildings and Building Improvements	11,290,400	42,700	-	11,333,100
Vehicles	55,901	-	-	55,901
Furniture and Equipment	<u>4,911,932</u>	<u>275,594</u>	<u>7,718</u>	<u>5,179,808</u>
Subtotals	<u>16,328,233</u>	<u>318,294</u>	<u>7,718</u>	<u>16,638,809</u>
Accumulated Depreciation:				
Land Improvements	56,027	4,666	-	60,693
Buildings and Building Improvements	7,270,015	205,606	-	7,475,621
Vehicles	55,901	-	-	55,901
Furniture and Equipment	<u>3,753,802</u>	<u>332,553</u>	<u>7,718</u>	<u>4,078,617</u>
Subtotals	<u>11,135,745</u>	<u>542,805</u>	<u>7,718</u>	<u>11,670,832</u>
Net Capital Assets being Depreciated:	<u>5,192,488</u>	<u>(224,511)</u>	<u>-</u>	<u>4,967,977</u>
Net Capital Assets	<u>\$ 5,307,488</u>	<u>\$ (224,511)</u>	<u>\$ -</u>	<u>\$ 5,082,977</u>

# Wayne County Regional Educational Service Agency

## Notes to Financial Statements June 30, 2006

### Note 5 - Capital Assets (Continued)

Depreciation expense for the year ended June 30, 2006 totaled \$542,805, none of which was charged to activities as the Agency considers its assets to impact multiple activities and allocation is not practical.

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>			<u>Total</u>
	<u>General Fund</u>	<u>Act 18 Fund</u>	<u>Other Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ 1,500,077	\$ 131,426	\$ 1,631,503
Act 18 Fund	-	-	239,585	239,585
Funded Projects Fund	1,611,592	-	-	1,611,592
Medicaid Fund	69,480	-	-	69,480
Other Nonmajor Governmental Funds	201,717	-	-	201,717
Fiduciary Funds	<u>20,521</u>	<u>-</u>	<u>-</u>	<u>20,521</u>
Total	<u>\$ 1,903,310</u>	<u>\$ 1,500,077</u>	<u>\$ 371,011</u>	<u>\$ 3,774,398</u>

Interfund balances at June 30, 2006 primarily represent funds held temporarily in the General Fund bank accounts for the benefit of other funds, primarily the Funded Projects Fund. Other balances represent expenditures made from the General Fund bank accounts for the benefit of other funds, primarily the Act 18 Fund, which are unreimbursed as of June 30, 2006.

# Wayne County Regional Educational Service Agency

## Notes to Financial Statements June 30, 2006

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

#### Interfund Transfers

	<u>Transfers Out</u>					<u>Total</u>
	<u>General Fund</u>	<u>Act 18 Fund</u>	<u>Funded Projects Fund</u>	<u>Medicaid Fund</u>	<u>Other Nonmajor Governmental Funds</u>	
Transfers in:						
General Fund	\$ -	\$ -	\$ 112,149	\$ 1,309	\$ 227,253	\$ 340,711
Act 18 Fund	-	-	-	658,702	-	658,702
Funded						
Projects Fund	17,306	-	-	-	-	17,306
Other						
Nonmajor						
Governmental						
Funds	<u>2,207,075</u>	<u>1,571,481</u>	<u>70,630</u>	<u>850</u>	<u>8,862</u>	<u>3,858,898</u>
Total	<u>\$ 2,224,381</u>	<u>\$ 1,571,481</u>	<u>\$ 182,779</u>	<u>\$ 660,861</u>	<u>\$ 236,115</u>	<u>\$ 4,875,617</u>

Transfers primarily provided funding for General Fund support for cooperative service programs; Act 18 Fund support for special education services in the nonmajor funds; reimbursement of indirect costs to the General Fund from Funded Projects and special education; and Medicaid funds generated by the special education center programs transferred to the Act 18 Fund.

### Note 7 - Long-term Debt

Compensated absences represent anticipated termination benefits to be paid to employee groups. Early retirement incentives represent amounts due to employees who elected to participate in the plan by May 26, 2006 and whose retirement date is not until June 30, 2007 when the incentive is payable. Due to other governmental units of \$365,175 at June 30, 2006 represents amounts owed to a local school district for Special Education Center Program funding. The final payment of \$365,175 is due September 2007.

# Wayne County Regional Educational Service Agency

## Notes to Financial Statements June 30, 2006

### Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental Activities:					
Durant Non-Plaintiff Bond	\$ 2,647,200	\$ -	\$ 200,565	\$ 2,446,635	\$ 210,066
Compensated Absences	171,203	17,787	8,401	180,589	9,029
Early Retirement Incentive	-	326,521	-	326,521	288,283
Due to Other					
Governmental Units	<u>1,665,175</u>	<u>-</u>	<u>1,300,000</u>	<u>365,175</u>	<u>365,175</u>
Total	<u>\$ 4,483,578</u>	<u>\$ 344,308</u>	<u>\$ 1,508,966</u>	<u>\$ 3,318,920</u>	<u>\$ 872,553</u>

Annual debt service requirements to maturity for the above bond obligations are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 210,066	\$ 80,862	\$ 290,928
2008	220,121	70,860	290,981
2009	230,604	60,379	290,983
2010	241,573	49,399	290,972
2011	253,079	37,897	290,976
2012-2013	<u>1,291,192</u>	<u>372,868</u>	<u>1,664,060</u>
Total	<u>\$ 2,446,635</u>	<u>\$ 672,265</u>	<u>\$ 3,118,900</u>

**Durant Non-Plaintiff Bond** – Included in governmental activities general obligation bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated state aid and will not require any Agency debt levy or utilization of any other Agency financial resources. The Durant Bond is comprised of a \$4,143,586 School Improvement Bond, Series 1998, due in annual installments of \$210,066 to \$1,013,458 through May 15, 2013 with interest at 4.76 percent.

# **Wayne County Regional Educational Service Agency**

## **Notes to Financial Statements**

**June 30, 2006**

### **Note 8 - Risk Management**

The Agency is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Agency has purchased commercial insurance for medical benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Agency participates in the M.A.I.S.L. Trust risk pool for claims relating to property loss, torts, and errors and omissions, and the M.A.I.S.L. Workers' Compensation Trust pool for workers' compensation claims.

The shared-risk pool program in which the Agency participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### **Note 9 - Defined Benefit Pension Plan and Postemployment Benefits**

**Plan Description** – The Agency participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the Agency. The MPERS provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the system at P.O. Box 30171, Lansing, MI 48909-7671.

# **Wayne County Regional Educational Service Agency**

## **Notes to Financial Statements June 30, 2006**

### **Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)**

**Funding Policy** – Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 14.87 percent and 16.34 percent of the covered payroll to the plan for the periods from July 1, 2005 through September 30, 2005 and October 1, 2005 through June 30, 2006, respectively. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The Agency's contributions to the MPSERS plan for the years ended June 30, 2006, 2005, and 2004 were \$2,595,576, \$2,381,242, and \$2,153,280, respectively.

**Postemployment Benefits** – Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment health care benefits are included as part of the Agency's total contribution to the MPSERS plan discussed above.



## **Required Supplemental Information**

# Wayne County Regional Educational Service Agency

## Required Supplemental Information Budgetary Comparison Schedule\* - General Fund Year Ended June 30, 2006

	Original Budget	Final Budget	Actual
<b>Revenue</b>			
Local sources	\$ 5,102,000	\$ 5,305,000	\$ 5,691,454
State sources	10,897,900	10,693,900	10,694,953
Interdistrict sources	<u>625,000</u>	<u>577,000</u>	<u>573,464</u>
Total revenue	16,624,900	16,575,900	16,959,871
<b>Expenditures</b>			
Salaries	8,270,200	7,794,400	7,820,652
Employee benefits	3,545,000	3,331,500	3,314,141
Purchased services	2,587,000	2,412,600	1,778,797
Supplies and materials	790,100	815,200	745,183
Capital outlay	381,800	200,000	358,311
Other	74,400	67,600	91,959
Interdistrict payments	<u>152,600</u>	<u>147,500</u>	<u>109,066</u>
Total expenditures	<u>15,801,100</u>	<u>14,768,800</u>	<u>14,218,109</u>
<b>Excess of Revenue Over Expenditures</b>	823,800	1,807,100	2,741,762
<b>Other Financing Sources (Uses)</b>			
Transfers in	395,000	330,000	340,711
Transfers out	<u>(2,612,000)</u>	<u>(2,561,000)</u>	<u>(2,224,381)</u>
Total other financing sources (uses)	<u>(2,217,000)</u>	<u>(2,231,000)</u>	<u>(1,883,670)</u>
<b>Net Change in Fund Balance</b>	(1,393,200)	(423,900)	858,092
<b>Fund Balance - July 1, 2005</b>	<u>14,204,709</u>	<u>14,204,709</u>	<u>14,204,709</u>
<b>Fund Balance - June 30, 2006</b>	<u>\$ 12,811,509</u>	<u>\$ 13,780,809</u>	<u>\$ 15,062,801</u>

\* As adopted by the Wayne County RESA Board of Education

# Wayne County Regional Educational Service Agency

## Required Supplemental Information Budgetary Comparison Schedule\* - Act 18 Fund Year Ended June 30, 2006

	Original Budget	Final Budget	Actual
<b>Revenue</b>			
Local sources	\$ 151,179,000	\$ 152,545,000	\$ 164,432,099
State sources	<u>25,051,000</u>	<u>24,527,000</u>	<u>25,643,735</u>
Total revenue	176,230,000	177,072,000	190,075,834
<b>Expenditures - Interdistrict payments</b>	<u>166,407,600</u>	<u>171,093,600</u>	<u>177,869,227</u>
<b>Excess of Revenue Over Expenditures</b>	9,822,400	5,978,400	12,206,607
<b>Other Financing Sources (Uses)</b>			
Transfers in	507,000	507,000	658,702
Transfers out	<u>(1,498,800)</u>	<u>(1,498,800)</u>	<u>(1,571,481)</u>
Total other financing sources (uses)	<u>(991,800)</u>	<u>(991,800)</u>	<u>(912,779)</u>
<b>Net Change in Fund Balance</b>	8,830,600	4,986,600	11,293,828
<b>Fund Balance - July 1, 2005</b>	<u>53,202,196</u>	<u>53,202,196</u>	<u>53,202,196</u>
<b>Fund Balance - June 30, 2006</b>	<u>\$ 62,032,796</u>	<u>\$ 58,188,796</u>	<u>\$ 64,496,024</u>

\*As adopted by the Wayne Coutny RESA Board of Education

# Wayne County Regional Educational Service Agency

## Required Supplemental Information Budgetary Comparison Schedule\* - Funded Projects Fund Year Ended June 30, 2006

	Original Budget	Final Budget	Actual
<b>Revenue</b>			
Local sources	70,000	70,000	147,908
State sources	573,700	573,700	1,295,982
Federal sources	78,006,100	78,006,100	83,286,958
Interdistrict sources	<u>2,875,800</u>	<u>2,875,800</u>	<u>2,603,306</u>
Total revenue	81,525,600	81,525,600	87,334,154
<b>Expenditures</b>			
Salaries	1,368,100	1,368,100	1,566,915
Employee benefits	489,200	489,200	516,776
Purchased services	3,599,400	3,599,400	3,501,029
Supplies and materials	615,500	615,500	944,988
Capital outlay	171,800	171,800	36,972
Other	70,800	70,800	48,524
Interdistrict payments	<u>74,503,400</u>	<u>74,503,400</u>	<u>80,553,477</u>
Total expenditures	<u>80,818,200</u>	<u>80,818,200</u>	<u>87,168,681</u>
<b>Excess of Revenue Over Expenditures</b>	707,400	707,400	165,473
<b>Other Financing Sources (Uses)</b>			
Transfers in	185,800	185,800	17,306
Transfers out	<u>(893,200)</u>	<u>(893,200)</u>	<u>(182,779)</u>
Total other financing sources (uses)	<u>(707,400)</u>	<u>(707,400)</u>	<u>(165,473)</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - July 1, 2005</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - June 30, 2006</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\*As adopted by the Wayne County RESA Board of Education

# Wayne County Regional Educational Service Agency

## Required Supplemental Information Budgetary Comparison Schedule\* - Medicaid Fund Year Ended June 30, 2006

	Original Budget	Final Budget	Actual
<b>Revenue</b>			
Local sources	\$ 55,000	\$ 55,000	\$ 195,733
Federal sources	<u>6,000,000</u>	<u>6,000,000</u>	<u>7,047,028</u>
Total revenue	6,055,000	6,055,000	7,242,761
<b>Expenditures</b>			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	784,000	784,000	576,652
Supplies and materials	-	-	893
Capital outlay	-	-	14,466
Other	-	-	395
Interdistrict payments	<u>4,744,000</u>	<u>4,744,000</u>	<u>5,989,494</u>
Total expenditures	<u>5,528,000</u>	<u>5,528,000</u>	<u>6,581,900</u>
<b>Excess of Revenue Over Expenditures</b>	527,000	527,000	660,861
<b>Other Uses - Transfers out</b>	<u>(527,000)</u>	<u>(527,000)</u>	<u>(660,861)</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - July 1, 2005</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - June 30, 2006</b>	<u>-</u>	<u>-</u>	<u>-</u>

\* As adopted by the Wayne County RESA Board of Education

## **Other Supplemental Information**

# Wayne County Regional Educational Service Agency

	Special Revenue Funds		Debt Service Fund
	Special Services Fund	Cooperative Services Fund	Durant
<b>Assets</b>			
Cash and investments	\$ -	\$ 80	\$ -
Restricted assets	-	-	-
Accounts receivable	-	1,485	-
Due from other funds	201,717	-	-
Due from other governmental units	247,870	162,381	-
Inventories	-	105,399	-
Total assets	<b>\$ 449,587</b>	<b>\$ 269,345</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	184,469	98,988	-
Accrued payroll and other liabilities	25,533	38,931	-
Due to other funds	239,585	131,426	-
Total liabilities	449,587	269,345	-
<b>Fund Balances</b>			
Reserved:			
Inventories	-	105,399	-
Encumbrances	-	92,577	-
Unreserved - Undesignated	-	(197,976)	-
Total fund balances	-	-	-
Total liabilities and fund balances	<b>\$ 449,587</b>	<b>\$ 269,345</b>	<b>\$ -</b>

**Other Supplemental Information**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2006**

	(Memorandum Only)
<u>2006 Total</u>	<u>2005 Total</u>
\$ 80	\$ 80
-	-
1,485	9,725
201,717	503,502
410,251	379,672
<u>105,399</u>	<u>89,215</u>
<b><u>\$ 718,932</u></b>	<b><u>\$ 982,194</u></b>
283,457	431,723
64,464	62,422
<u>371,011</u>	<u>488,049</u>
718,932	982,194
105,399	89,215
92,577	166,175
<u>(197,976)</u>	<u>(255,390)</u>
<u>-</u>	<u>-</u>
<b><u>\$ 718,932</u></b>	<b><u>\$ 982,194</u></b>



# Wayne County Regional Educational Service Agency

	Special Revenue Funds		Debt Service Fund
	Special Services Fund	Cooperative Services Fund	Durant
<b>Revenue</b>			
Local sources	\$ -	\$ 102,730	\$ -
State sources	1,462,647	-	290,976
Interdistrict sources	-	4,523,339	-
Total revenue	1,462,647	4,626,069	290,976
<b>Expenditures</b>			
Salaries	1,194,242	3,602,621	-
Employee benefits	453,533	1,466,926	-
Purchased services	250,791	1,314,602	-
Supplies and materials	5,788	75,635	-
Capital outlay	332	350,714	-
Other	1,055	23,496	-
Interdistrict payments	971,764	-	-
Debt Service:			
Principal	-	-	200,565
Interest and other	-	-	90,411
Total expenditures	2,877,505	6,833,994	290,976
<b>Excess of Revenue under Expenditures</b>	(1,414,858)	(2,207,925)	-
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	1,642,111	2,216,787	-
Operating transfers out	(227,253)	(8,862)	-
Total other financing sources (uses)	1,414,858	2,207,925	-
<b>Net Change in Fund Balances</b>	-	-	-
<b>Fund Balances - July 1, 2005</b>	-	-	-
<b>Fund Balances - June 30, 2006</b>	\$ -	\$ -	\$ -

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**Year Ended June 30, 2006**

		(Memorandum Only)	
<u>2006 Total</u>		<u>2005 Total</u>	
\$	102,730	\$	246,777
	1,753,623		1,373,625
	<u>4,523,339</u>		<u>4,362,576</u>
	6,379,692		5,982,978
	4,796,863		4,760,913
	1,920,459		1,806,636
	1,565,393		1,485,111
	81,423		110,560
	351,046		656,901
	24,551		12,026
	971,764		892,703
	200,565		-
	<u>90,411</u>		<u>-</u>
	<u>10,002,475</u>		<u>9,724,850</u>
	(3,622,783)		(3,741,872)
	3,858,898		3,925,731
	<u>(236,115)</u>		<u>(232,291)</u>
	<u>3,622,783</u>		<u>3,693,440</u>
	-		(48,432)
	<u>-</u>		<u>48,432</u>
<b>\$</b>	<b><u>-</u></b>	<b>\$</b>	<b><u>-</u></b>

# Wayne County Regional Educational Service Agency

## Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2006

	<u>Durant - Principal</u>
2007	\$ 210,066
2008	220,121
2009	230,604
2010	241,573
2011	253,079
2012	1,013,458
2013	<u>277,734</u>
 Total	 <u>\$ 2,446,635</u>
 Principal payments due	 May 15
 Interest payments due	 May 15
 Interest rate	 4.76%
 Original issue	 <u>\$ 4,143,586</u>